

## Creech St Michael Parish Council Internal Audit Report Financial Year 2023-24

Internal audit carried out by:

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Smaller authorities are required by the Accounts and Audit Regulations 2015 to 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.

This report details the results of the Internal Audit for Creech st Michael Parish Council which has been carried out in accordance with the requirements as detailed within the Joint Panel on Accountability and Governance Practitioners Guide 2023.

Internal Control Objective	Tests carried out	Response
A. Appropriate accounting records have been properly kept throughout the year.	<p>Check that:</p> <p>A 1. The accounting system in use (whether manual, spreadsheet or a formal accounting system) is adequate.</p> <p>A 2. The council's accounting records are accurate, up to date and well maintained.</p> <p>A 3. Council Minutes for the year are complete and up to date and have been initialled and signed.</p>	<p>During the year the Council agreed to move to Scribe, a formal accounting system and 2023-24 has been entered in full.</p> <p>Yes</p> <p>Yes</p>
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	<p>Check that:</p> <p>B 1. The Council has in place a set of Financial Regulations and Standing Orders and that these have been subject to regular review.</p>	<p>Standing Orders last reviewed 12<sup>th</sup> July 2022. Updated Financial Regulations were agreed on 11<sup>th</sup> April 2023 item 17. Changes included increasing the spending limit for the Clerk/RFO to £250.</p>

	<p>B 2. In the case of publicly advertised contracts with a value over £30,000, the Council has complied with the requirements of the Public Contracts Regulations.</p> <p>B 3. Check that both Standing Orders and Financial Regulations specify the same tender thresholds.</p> <p><i>Select a sample of payments made from the bank account(s), for example by choosing a bank statement for a particular month. The sample size selected should be sufficient to have a reasonable view of the council's practices. Where possible all transactions of an abnormally high value for the Council should also be subject to detailed review.</i></p> <p>B 4. That invoices have been 'verified and certified' on receipt</p> <p>B 5. That orders for goods and services have been made in accordance with the requirements of the Council's Financial Regulations, (for example the requirement to obtain 3 quotes as set out in section 11 of the Model Financial Regulations).</p> <p>B 6. The Council has approved the payments in accordance with the requirements of it's Financial Regulations.</p> <p>B 7. The Council has in place effective controls on the making of payments. This should include the need for two signatures on cheques and the dual authorisation of online payments.</p> <p>B 8. Where debit / credit cards are in use, check that these</p>	<p>The figures in the Public Contract Regulations have been increased since the Financial Regulations were reviewed.</p> <p>Both are the same</p> <p>Not evidenced.</p> <p>The Council is committed to obtaining value for money and this is evidenced in the minutes. Three quotes are obtained for appropriate goods and services.</p> <p>Yes</p> <p>Three signatures for cheques. Signatories should always initial the cheque stub. Online payments set up by RFO and authorised by 2 councillors</p> <p>A cross section of transactions were</p>
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	<p>transactions have been made in accordance with the Councils Financial Regulations and that the invoices supporting these payments have been certified and payments reviewed and approved by Council.</p> <p>B 9. That any limits on credit cards and debit cards are reasonable and not excessive and ensure there are appropriate controls over physical security and usage of the cards are in place.</p>	<p>checked and these were made in accordance with Financial Regulations. Payments reported to Council.</p> <p>There is a pre-paid debit card. No single transactions of more than £250 are allowed. The Council has a policy on Prepaid debit card use which covers the use and security of the card/s.</p> <p>Note: new NALC Model Financial Regulations have just been published.</p>
<p>C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.</p>	<p>Check that:</p> <p>C 1. The council has formally minuted a review of risk during the financial year.</p> <p>C 2. The council has in place a Risk Register, or Risk Policy, which sets out the risks that the council faces and how it intends to address these and that this has been subject to formal review. (It is not a requirement for the auditor to review this in detail).</p> <p>C 3. The Council has reviewed the scope and value of its insurance cover. In particular that the value of fidelity insurance is sufficient to cover the Councils cash and bank balances and that buildings are insured based on up to date valuations.</p> <p>C 4. Ensure that appropriate levels of insurance cover are in place for land, buildings, public, employers' and hirers' (where applicable) liability, fidelity / employees (including councillors)</p>	<p>Minuted by Full Council on 2<sup>nd</sup> October 2023 item 17.</p> <p>Very comprehensive Risk Register produced for 2023-24.</p> <p>4<sup>th</sup> year of 5 year agreement with Zurich. £250,000 fidelity insurance is adequate. Unable to comment on the insured value of buildings.</p> <p>Cyber security not covered. All other cover adequate. I was unable to check scope and cover for events organised by the Council.</p>

	<p>liability, business interruption and cyber security</p> <p>C 5. Ensure that appropriate arrangements are in place for the inspection of play areas, open spaces and sports pitches:</p>	<p>The Council has a Recreation Park Committee which oversees the operation and management of these areas in detail. Play equipment inspected by the Play Inspection Company.</p>
<p>D. The precept or rates requirement resulted from an adequate budgetary process: progress against the budget was regularly monitored; and reserves were appropriate.</p>	<p>Check that:</p> <p>D 1. The Council prepared and formally approved a budget for the year prior to the setting of the precept.</p> <p>D 2. That the Full Council, <u>not a committee</u>, has considered, approved and adopted the annual precept, for the year subject to internal audit, prior to the statutory deadline of 1st March.</p> <p>D 3. That budget reports are prepared and submitted to either Full Council or the appropriate Committees periodically during the year.</p> <p>D 4. That the Council, or nominated committee, has properly reviewed budgetary reports and that any significant variances have been subject to detailed query/review.</p> <p>D 5. That the Council has considered the establishment of specific Earmarked Reserves and that these are reviewed as part of the budget setting process.</p>	<p>Budget prepared and presented to the Finance Committee on 12<sup>th</sup> December 2022 for discussion. It was then discussed by Full Council on 9<sup>th</sup> January 2023 item 11.0.</p> <p>Precept of £74,528.00 agreed by Full Council on 9<sup>th</sup> January 2023 item 11.0.</p> <p>Budget reports presented at Finance Committee meetings for discussion and reported to Full Council.</p> <p>The Finance Committee reviews the reports in detail and raises queries when there are significant variances.</p> <p>Discussion on the levels of reserves is part of the budget setting process. Earmarked reserves have been established. A list of Earmarked Reserves is contained in Scribe. EMR Reserves £64,950.</p>

	<p>D 5. That the Council has reviewed the level of its General Reserve and that the level of the General Reserve is adequate and not excessive.</p>	<p>When the budget was discussed there were concerns that the level of reserves was dropping. There has been discussion about raising money in other ways than through the precept. Some budget areas underspent at the end of the financial year which increased reserves. General reserves are within the recommended range and are not excessive. General Reserves £36,260.23</p>
<p>E. Expected income was fully received, based on correct prices, properly recorded and promptly banked and VAT was appropriately accounted for.</p>	<p>Check that:</p> <p>E 1. The precept received during the year agrees to the precept raised by the Council.</p> <p>E 2. That any VAT due in respect of the preceding accounting year have been claimed and received during the year subject to internal audit.</p> <p>E 3. That a VAT claim has been prepared for the year subject to internal audit and that this agrees to supporting accounting records.</p> <p>E 4. That that the Council has complied with any requirement to register for VAT and that income has been correctly treated for VAT purposes</p> <p>E 5. That the Council has in place a formal list of fees and charges and that this has been subject to regular review.</p>	<p>Yes. £74,528 received as one receipt.</p> <p>Yes</p> <p>Yes. The Council is now VAT registered and will be making quarterly returns as required.</p> <p>The Council has registered for VAT with HMRC after identifying it should have been charging VAT on festival income. Income is now being correctly treated for VAT purposes.</p> <p>Yes</p>

	E 6. That the Council has robust procedures to monitor and collect any outstanding debts. If applicable, review any aged debtors' listing maintained by the Council and ensure that amounts overdue have been reported to Council.	The Council now subscribes to Scribe, an online accounting system, which has improved the monitoring of any outstanding debts.
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	<b>Only be used if there is petty cash.</b>	No petty cash system. Prepaid debit card can be used for general expenses.
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	<p>G 1. Ensure that the Council is properly registered with HMRC as an Employer.</p> <p>G 2. Ensure that, for all staff, a formal employment contract is in place together with a confirmatory letter setting out any changes to the contract.</p> <p>G 3. Verify that gross pay due is correctly calculated in accordance with contract terms and conditions (for example at the correct national pay rate/spinal column point).</p> <p>G 4. Verify that the Council has in place formal, up to date, payroll software, or is using a suitable payroll provider.</p> <p>G 5. Ensure that the correct PAYE treatment has been applied to all remuneration paid (for example the payment of any lump allowances.)</p> <p>G 6. Check that the Council has not claimed the National Insurance Employers Allowance.</p> <p>G 7. Check that the council has submitted RTI returns to HMRC</p>	<p>Yes</p> <p>All staff have Contracts of Employment.</p> <p>Yes.</p> <p>The Council uses HMRC Basic Payroll</p> <p>Yes</p> <p>Allowance correctly not claimed</p> <p>Yes</p>

	<p>and made payments due as required.</p> <p>G 8. Check that the Council has submitted returns and made payments due for any pension contributions.</p>	Yes
H. Asset and investment registers were complete and accurate and properly maintained.	<p>Check that:</p> <p>H 1. The Council is maintaining a formal asset register and this has been updated with any additions or disposals during the year.</p> <p>H 2. That the basis of valuation of assets is in accordance with the requirements of the Practitioner's Guide (normally at cost value).</p>	<p>Formal Asset Register details are kept in Scribe.</p> <p>Yes</p>
I Periodic bank account reconciliations were properly carried out during the year.	<p>Check that:</p> <p>I 1. That bank reconciliations are prepared regularly, for all Council bank accounts.</p> <p>I 2. That bank reconciliations are subject to independent review by members and that they are signed and dated as evidence of this review.</p> <p>I 3. That the bank statements are periodically independently verified to the balances stated in bank reconciliations.</p> <p>I 4. The accuracy of the year-end bank reconciliation and agree it to supporting bank statements.</p> <p>I 5. Review and clarify the nature of any uncleared transactions.</p>	<p>Bank reconciliations prepared regularly</p> <p>Bank reconciliations are reviewed by the Finance Committee and they are signed and dated. Checks reported to Full council</p> <p>Bank statements included with bank reconciliation.</p> <p>Checked.</p> <p>None,</p>
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and	<p>J 1. Review the computations for the Accounting Statements prepared by the RFO to verify that they are accurate and agree to the Councils cashbook.</p> <p>Check that:</p>	Checked against Scribe

<p>expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.</p>	<p>J 2. Line 2 agrees to the value of precept raised and received</p> <p>J 3. The total of Lines 2 and 3 agree to the total value of receipts recorded in the cashbook.</p> <p>J 4. The value stated in Line 4 includes only "<i>gross salary of employees, employer's national insurance contributions, employers pension contributions, gratuities for employees or former employees and severance or termination payments to employees.</i>" as set out in the Practitioner's Guide.</p> <p>J 5. The total of Lines 4, 5 and 6 agree to the total value of payments in the cashbook.</p> <p>J 6. The value stated in Line 8 agrees to the year end bank reconciliation and supporting bank statements.</p> <p>J 7. The value stated in Line 9 agrees to the total value of the asset register.</p> <p>J 8. The balance stated in Line 10 agrees to the value stated in the year end PWLB/DMO audit confirmation (this is normally supplied by email to the Clerk and additional copies can be obtained on request).</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Checked against bank statements.</p> <p>Agrees with Asset Register in Scribe</p> <p>Not applicable.</p>
<p>K. If the authority declared itself exempt from a limited assurance review in 2022/23, it met the exemption criteria and correctly declared itself exempt.</p>		<p>Not covered - n checks carried out for this section as the Council had a limited assurance review.</p>
<p>L. The authority published the required information on a</p>		<p>Not covered as the Council's receipts and</p>



website/webpage up to date at the time of the internal audit in accordance with the relevant legislation.		payments were above £25,000.
M. In the year covered by this AGAR, the authority correctly provided for a period for the exercise of public rights as required by the Accounts and Audit Regulations (during the 2023/24 AGAR period were public rights in relation to the 2022/23 AGAR evidenced by a notice on the website and/or authority approved minutes confirming the dates set).	<p>Check that:</p> <p>M 1. The Council published, including on it's website, the Notice for the Period for the Exercise of Public Rights</p> <p>M 2. The 'Announcement Date' was the working day prior to the Commencement Date (they cannot be the same date)</p> <p>M 3. The period set was for <b>exactly</b> 30 working days and included the first 10 working days in July</p>	<p>Notice published on the website</p> <p>Yes</p> <p>The period set was more than 30 working days and only included 4 of the first 10 working days in July</p>
N. This authority has complied with the publication requirements for 2022/23 AGAR (see AGAR Page 1 guidance notes)	<p>Check that:</p> <p>N 1. That the Council published the Annual Governance Statement on it's website</p> <p>N 2. That the Council published the Accounting Statements on it's website</p> <p>N 3. That the Council published the External Auditor report on it's website</p> <p>N 4. That the Council published the Notice of Conclusion of Audit on its website.</p>	<p>Published</p> <p>Published</p> <p>Published</p> <p>Published</p> <p>Published</p>
		The Council has continued to improve its governance during 2023-24

Signed:

Date:

## **Documentation requested and inspected**

Cash book - Scribe

Copies of invoices and remittances

Bank statements

Cheque counterfoils (3)

Bank reconciliations and evidence of sign off by members

Budget preparation documents

Budget monitoring reports

VAT Return and evidence of submission

Details of procedures for acquisition of formal tenders and quotes?

Asset Register - Scribe

Current Risk Assessment

Statement of Internal Controls

Insurance Policy Schedule and Employers Liability Certificate

Minutes reviewed on website. One copy checked for Chair's signature

Policies

Current Standing Orders, Financial Regulations and Code of Conduct

Copy of Contract of Employment and any letters detailing changes

Payroll and tax code documentation

External Auditor Report 2022-23

Notice of the period for the exercise of public rights and other information